

As I ordered a sandwich today at a Lincoln diner, Norm the shop owner asked me: "So what's happening today with that word they keep using?"

He was referring to "sequestration," which takes effect today. Sequestration is the inside-the-beltway word for automatic spending reductions to the federal budget. These reductions will be \$85 billion in the first year with roughly half applied to military programs and half applied to basically everything else the government does, except for retirement (Social Security), health care, and other income support programs.

A bit of history may clarify how we got here. A year and a half ago, there were negotiations in Washington over the debt ceiling. The debt ceiling must be lifted by Congress if the federal government can't pay its bills and must borrow. The negotiation ended with three outcomes: First, Congress would cut spending by an amount greater than the rise in the debt ceiling. Second, a "supercommittee" would be formed to negotiate the right type of tax reform and the right type of spending reductions. Third, automatic spending cuts - the sequester - would take place (as proposed by the President and agreed upon by Congress) if the supercommittee failed.

The automatic cuts to the budget were supposed to be so distasteful that it was going to motivate everyone to find creative and reasonable solutions to fix the budget crisis. But the supercommittee failed. Now the sequester kicks in.

Seventy percent of Americans want deficit reduction from their government. I imagine those numbers are probably higher in Nebraska, where fiscal responsibility is a core characteristic of family life, business ethics, and good governance. People know - economically, mathematically, or intuitively - that you can't spend more money than you have. Citizens also want to see their government act in a reasonable fashion.

The federal budget deficit has been running more than \$1 trillion, and the cumulative debt will top \$17 trillion this year, the size of our overall economic output. The overspending and debt are serious impediments to economic recovery and create national security problems. Some in Washington wish to halt any spending reductions. I don't believe this is an option. Washington must begin living in the real world; something must be done. Two principles should be at work: there must be reasonable budgetary reductions, while at the same time there must be

deliberate delivery of smart and effective government services.

While the sequester serves as the trigger for the first principle, it does not balance it with the second. Automatic cuts do not allow for discretion in determining which program should stay or expand, and which should be revised or eliminated due to ineffectiveness. The sequestration also hits the military in a disproportionate manner, and disrupts procurement and planning decisions that cannot operate on short term budgetary horizons. We should keep the spirit of sequestration – and preserve the fullness of its reductions – but seek to revise its implementation with the flexibility to make more precise cutbacks.

Earlier this week, the Appropriations Committee held a hearing with the head of the Government Accountability Office (GAO). I raised the issue of GAO findings that cited 132 topic areas within federal programs with duplicative missions and 300 action areas to tackle redundancy. An updated version of the report due in April will identify 30 more problematic areas. Consolidation of programs could officially save tens of billions of dollars, and unofficial estimates put that number in the hundreds of billions. Further questioning revealed that there is approximately \$385 billion of uncollected federal revenue. The GAO report could act as a guidepost on how we achieve the right balance of reductions and more effective services.

All in all, the fiscal disorder in Washington and the inability to budget in a responsible manner is undermining our ability to turn the economy around. The careening from one drama to another is undermining confidence in the institutions of government. While painful, sequestration is serving as a call to promptly budget with propriety and boldness to get the fiscal house in order.